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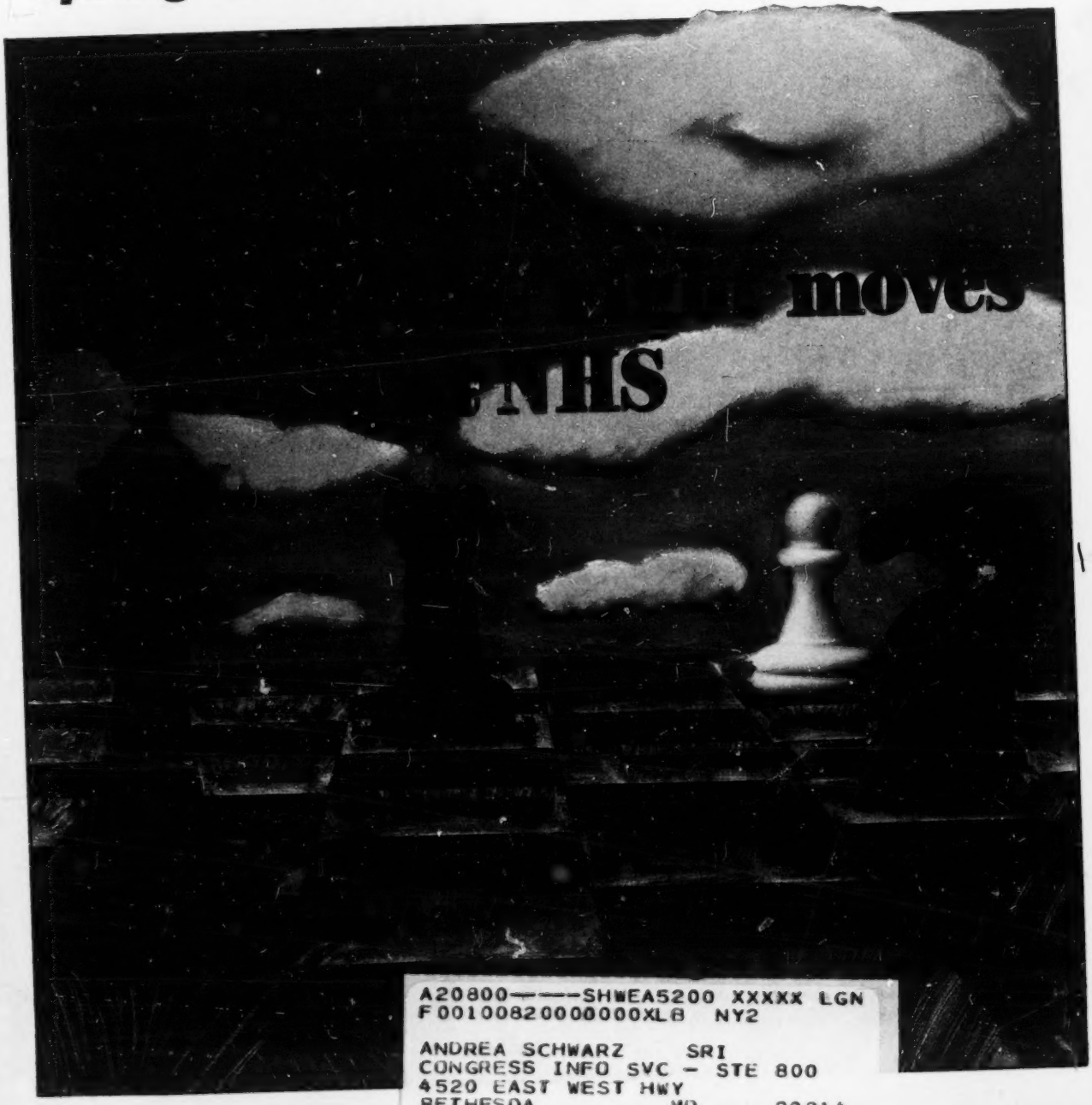
Lawn&Garden Marketing

AUGUST 1986

Reports on: 1987 forecast

Spring retail sales • Watering products



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The merchandising magazine for lawn, garden and leisure living products.

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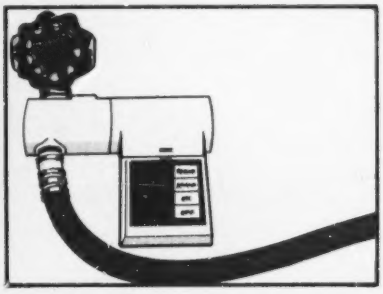

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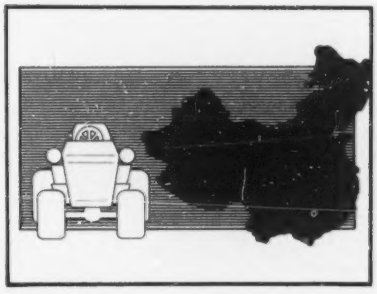

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Cover photo by Ron Anderson, Pitzner Studio; hand coloring by Katherine Weedman.

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1987 forecast

With renewed confidence, OPE members anticipate steady growth in the economy and in all product lines except rotary tillers for model year 1987.

For the past two years, manufacturers participating in the annual OPEI long-range forecasts have painted 1987 as a model year when sales and shipments would be off. But now as the 1986 model year winds up and bolstered by positive economic signs, manufacturers say 1987 will show improvements in most product categories instead of the previously expected decline in unit shipments.

The forecast was made by members who took into consideration seven key economic indicators, including annual housing starts which is an especially significant barometer for lawn and garden sales.

According to this forecast walk-behind mower shipments will increase in the 1987 model to a level of 5,395,000, the sixth consecutive year of increases for this product category.

Walk-behind mowers are the most basic product line, affecting the most retailers and the most consumers. Four other basic equipment lines, most of them higher-ticket consumer product lines than walk-behinds, are also forecast to gain in volume in the next model year. These four products are rear-engine riding mowers, lawn and yard tractors, garden tractors and walk-behind snowthrowers.

The forecast for the industry was given to the OPEI members and associate members at the annual meeting June 23 in Durango, Colo.

Walk-behind tillers, as in recent years, was the only product line which was not forecast to increase in volume. The industry outlook was presented to the OPEI members by John Peterson, president of Gilson Brothers Co., Plymouth, Wis. He explained that the outlook was based on returns of 16 questionnaires of 70 sent to manufacturers. This is the ninth annual industry outlook conducted by the association.

Industry shipments

In thousands of units
(Model years ending August 31)

	1982	1983	1984	1985	Projected 1986	Forecast 1987
Walk-behind rotary mowers	4600	4400	4950	5193	5319	5395
Walk-behind tillers	497	408	399	362	341	320
Rear engine riding mowers	261	276	354	355	372	386
Lawn and yard tractors	393	415	502	548	557	580
Garden tractors	146	129	152	147	142	149
Walk-behind snowthrowers	95	264	348	421	482	506

Source: *1987 OPE Industry Outlook*

Summary of this industry

The following overview summed up the findings of the study as presented by Peterson to the OPEI members:

"The members have displayed a renewed confidence that their industry will move steadily forward in 1987 with the single exception of walk-behind tillers. This clears away the anticipated setback that the members had forecast, in the last two outlooks, to occur in 1987. Belief in the historical evidence that a healthy economy engenders a healthy OPE industry, and trust in a continuing favorable economy, have put the

continued...

Expo success spawns new OPEI show

Details of the success of the OPEI-sponsored Expo in Louisville, Ky., were described to members attending the association's 34th annual meeting in June.

Not only is the show a success as a marketing channel for the members and others exhibiting, but its financial success is underpinning two other major OPEI undertakings.

The OPEI will launch a second show—for the exhibit of equipment for the commercial market which will open in Dallas in November 1987. And it has moved to acquire its own building as association headquarters which will be occupied in 1988. The OPEI is now headquartered in Washington, D.C. The new office will be in Alexandria, Va.

Commercial turf care industry shipments

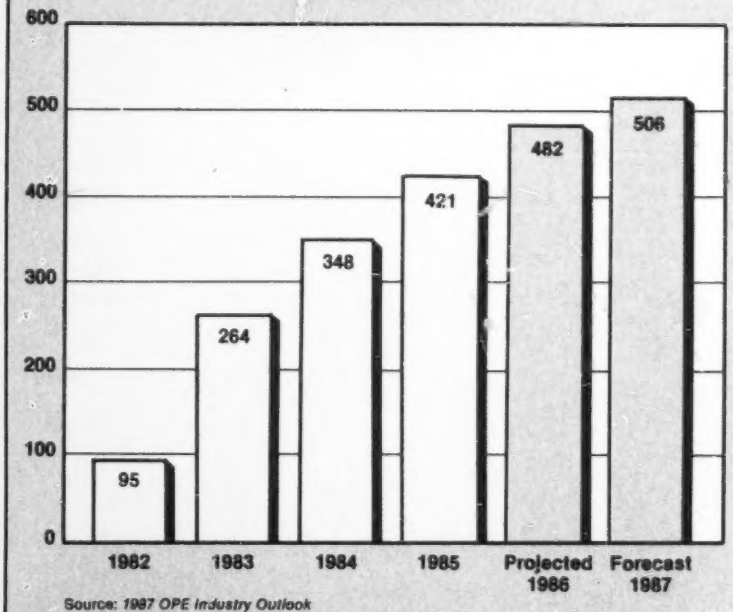
In thousands of units
(Model years ending August 31)

	1983	1984	1985	Projected 1986	Forecast 1987	Range
Walk-behind rotary mowers	86.3	112.6	110.5	111.8	117.4	105-120
Riding rotary turf mowers	9.8	11.5	16.4	17.3	18.8	15-20
Riding reel mowers	2.8	3.4	N/A	3.1	3.7	3-5

Source: *1987 OPE Industry Outlook*

Walk-behind snowthrowers

In thousands of units



Source: *1987 OPE Industry Outlook*

The Outdoor Power Equipment Institute reports an increase of 14.5 percent in total snowthrower shipments by U.S. manufacturers (both OPEI members and non-members) for the 1986 model year, ended Feb. 28, 1986.

Manufacturers shipped 482,000 single- and two-stage units in comparison to the 1985 model year shipments of 421,000.

Early season snowfall in many parts of the country boosted retail sales. Generally reduced inventories are resulting in a positive sign for a strong 1986-87 snowthrower season.

The factory value of the units shipped is $165 million, an increase of 14.6 percent over last year's factory shipment value of $144 million. Unit shipments of snowthrowers for model years 1982 through 1987 forecasts are shown above in the accompanying table.

Forecast

...continued

members in a bullish mood in their assessment of the industry for the remainder of this decade.

"The continuing decline of tillers is the only descending market. It dropped 9 percent in 1985, and is forecast to continue its downward movement at a 6 percent rate for 1986 and 1987. The tiller market slide is reflective of changing demographics, lifestyles and housing preferences.

"The extended forecast shows the numbers from the past two outlooks, as well as the current projections, to illustrate the positive attitude shift by the members in longer range expectations for 1987 and beyond."

And, despite the many variables and the uncertainties involved with forecasting consumer behavior and sales, the OPEI members learned that the projections for the 1985 model year, at least, were very much on target.

The projections for shipments of walk-behind mowers and tillers for that year were: 5,517,000 units and actual shipments were close to that: 5,555,000 units. Projected shipments of riding units were 1,063,000 units and actual shipments were 1,050,000 units. The overall outlook for the economy from the OPEI member viewpoint can be described as optimistic, but not necessarily bullish. Here is what the report presented by Peterson had to say about the economy in general:

"The members look at the economy that will provide the environment for the 1987 model year with conservative optimism on average, with the gross national product moving up by 2.8 percent, but with no indication of it thwarting the industry's forward progress.

"The industry's belief in its own momentum is revealed in the averaged shipment expectations for the coming year. Certainly an encouraging stimulant.

"Members say producer prices will move upward more aggressively than in the past year, which usually exerts pressure on consumer prices. They go on to indicate that disposable personal income will rise also, which may cushion some upward price movement, if not too widespread. Expected continued downward trending of the interest rate,

continued...

Forecast
...continued

also is consistent with maintaining a strong economy.

"If there is one thing the members are as good at as any of the leading professional economists, it is demonstrating the ability to disagree. But views are changing rapidly, and those that looked reasonable to forecasters in the last quarter, in some cases in the last month, are now suspect.

"For example, both Chase and the members saw producer prices significantly off the bottom, and heading back up in 1987. Chase projected that to occur in 1986, a few months ago. Now, many professionals are calling for a negative 1 percent in producer prices for the year; and consumer prices, some now say, will be up 1.6 percent for the year. Chase was looking for a 2.2 percent increase in producer prices for the economy as a whole in 1986, with a slight pullback to 2.1 percent in 1987. The members, on the other hand, are forecasting 2.8 percent on average, with a spread from between 1 percent and 8.5 percent for the upcoming model year, 1987." —LGM

Key Economic Indicators
(Model years ending August 31)

	1983	1985	1984	1985	Projected 1986	Forecast 1987
Gross National Product (% real growth in 1982 $)	–1.9	1.4	7.0	2.9	2.5	2.8
Consumer Price Index (% increase)	7.8	4.0	2.1	3.9	2.2	2.8
Producer Price Index (% change cost of finished goods)	4.3	2.1	1.7	0.6	2.0	2.8
Disposable Personal Income (% real growth 1982 $)	0.5	2.2	6.0	2.3	1.8	2.3
Housing Starts (millions of single & multiple units)	1.10	1.06	1.70	1.77	1.74	1.80
Unemployment Rate (% of workforce)	7.5	9.6	9.4	7.4	7.1	6.8
Prime Rate (% average for the year)	18.9	14.9	10.8	12.0	9.9	9.4

Source: *1987 OPE Industry Outlook*

OPEI elects new officers

During its 34th annual meeting, the Outdoor Power Equipment Institute elected new officers.

B. Duane Bustle, president of Kee Manufacturing Co., Bradenton, Fla., was elected president of the association.

Since 1973, Bustle has been president of Kee, which produces walk-behind mowers, edgers, garden carts, underwater weed cutters, chainsaws and spin trimmers. Kee is also a riding mower distributor.

"As president of a smaller company, my appointment shows that OPEI continues to provide an environment in which small companies and the giants of the industry can work side by side to achieve the common goals of the association," says Bustle. "This year should be one with great accomplishments based on the exciting plans under way to meet the current and long-range challenges of the industry."

Association members also elected John Munn, president of Wheel Horse Products Inc., South Bend, Ind., to serve as vice president.

"I am delighted to serve on the executive committee of the association. I am particularly interested in one of the new responsibilities I will have—the future plans aspect of OPEI," Munn says. "It is certainly premature for me to elaborate on what those future plans involve at this point, but I doubt that our priorities will change much from our current three S's—safety, statistics and shows."

Wheel Horse manufactures riding mowers and attachments. Munn has served as president since March 1982. He is on the OPEI board of directors and served as chairman of the technical advisory committee during fiscal 1986. As vice president of OPEI, Munn is responsible for the convention activities and planning efforts for the association.

William Brown, president and chairman of the board for Western International, Des Moines, Iowa, was named secretary-treasurer for a second term.

Western International produces mowers, tractors, tillers, snowthrowers and other products, and Brown has served as president since 1977. In 1982 Brown and other executives purchased Western International from AMF Inc., and he became chairman.

As secretary-treasurer he will oversee the financial activities of the association and serve as chairman of the finance and budget committee.

The term for each of the OPEI officers is one year according to the association's bylaws. —LGM

Product Movement Report

Spring 1986

The eight product lines measured in the spring 1986 *Lawn & Garden Marketing* survey continued to follow the trends of a year ago. Retailers again reported sales up for all product lines except rotary tillers.

More retailers continued to report rotary tiller sales more down than up. This has been the case for the past several years, and may be attributed to smaller gardens with less need. Market saturation is also a factor.

Sales of grass seed and lawn fertilizer appeared to be significantly higher according to retailers. This may be a result of warm weather early in the year in many regions.

Packet seed sales were also strong, retailers said. Reports indicate the weather again had an effect. Flower seeds seem to have made an especially strong showing before sales slowed in late March and April.

Garden tool sales also increased, retailers reported, although the trend appears slower than in previous seasons.

Walk-behind mowers and riding mowers/lawn tractors continued a slow steady growth nationwide; however, retailers reported weaker sales in some regions.

The repair rather than replace philosophy remains in evidence with sales of replacement parts on the increase, according to responding retailers.

According to retailers, the Northeast tended to follow national sales trends. In some product lines, however, the trend was stronger than it was nationally.

More retailers in the Northeast said sales of garden tools, lawn fertilizer, grass seed and walk-behind mowers were higher.

Sales of packet seed in the Northeast appeared sightly weaker, but more retailers reported sales up than did down.

Sales of riding mowers/lawn tractors were slightly higher while rotary tillers and replacement parts sales each were similar to national results for those lines.

•**Garden tools:** 59 percent carry the line; 34 percent said sales were up, 15 percent said same and 10 percent said down;

•**Lawn fertilizer:** 49 percent carry the line; 28 percent said sales were up, 16 percent said same and 5 percent said down;

•**Grass seed:** 56 percent carry the line; 30 percent said sales were up, 23 percent said same and 3 percent said down;

•**Packet seed:** 46 percent carry the line; 11 percent said sales were up, 28 percent said same and 7 percent said down;

•**Walk-behind mowers:** 66 percent carry the line; 38 percent said sales were up, 20 percent said same and 8 percent said down;

•**Riding mowers/lawn tractors:** 56 percent carry the line; 31 percent said sales were up, 18 percent said same and 7 percent said down;

•**Rotary tillers:** 51 percent carry the line; 12 percent said sales were up, 21 percent said same and 18 percent said down;

•**Replacement parts:** 72 percent carry the line; 38 percent said sales were up, 31 percent said same and 3 percent said down.

continued...

Spring product sales changes

(% of respondents)

	% carrying	% up	% same	% down
Packet seed	40.4	14.0	20.0	6.4
Riding mowers/ lawn tractors	62.4	22.8	18.8	16.0
Rotary tillers	58.8	11.6	26.0	19.2

Source: LGM spring 1986 survey.

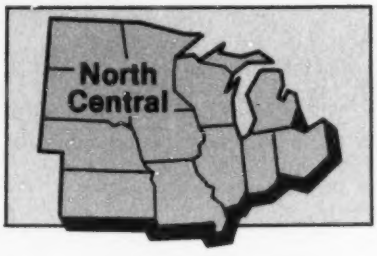
Based on 250 respondents indicating sales changes in each product category compared to spring 1985. Percentages do not add up to 100 percent because not all the respondents carry all product lines.

Strong flower seed sales and good weather early in the year helped this product line.

Although up overall, a weakened economy in the South may have prevented similar increases there.

Smaller gardens and market saturation have caused this line to continue its decline.

Product movement
...continued



Sales in several product lines in the North Central region were slightly better than national figures.

Retailers reported the trends in sales of lawn fertilizer, packet seed and replacement parts were slightly stronger.

Walk-behind mower sales were also significantly higher in the region.

On the other hand, sales of garden tools were almost steady rather than increasing as in the national figures.

•**Garden tools:** 55 percent carry the line; 10 percent said sales were up, 36 percent said same and 8 percent said down;

•**Lawn fertilizer:** 52 percent carry the line; 24 percent said sales were up, 23 percent said same and 5 percent said down;

•**Grass seed:** 51 percent carry the line; 20 percent said sales were up, 23 percent said same and 8 percent said down;

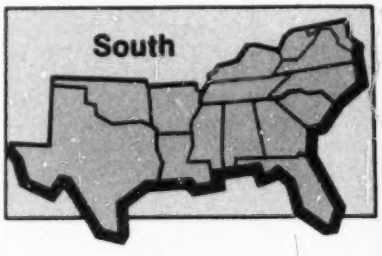
•**Packet seed:** 35 percent carry the line; 17 percent said sales were up, 14 percent said same and 4 percent said down;

•**Walk-behind mowers:** 73 percent carry the line; 41 percent said sales were up, 26 percent said same and 7 percent said down;

•**Riding mowers/lawn tractors:** 64 percent carry the line; 27 percent said sales were up, 20 percent said same and 17 percent said down;

•**Rotary tillers:** 61 percent carry the line; 11 percent said sales were up, 33 percent said same and 17 percent said down;

•**Replacement parts:** 72 percent carry the line; 41 percent said sales were up, 31 percent said same and an insignificant percentage said down.



The South showed the weakest results of any region with retailers reporting sales of several product lines only steady.

One Lafayette, La., retailer, in addition to reporting lower sales of walk-behind mowers and riding mowers/lawn tractors, said, "Free service is down 100 percent. Anxiety and lost sleep is up 30 percent."

This attitude may be a result of a weaker economy in the South and lower sales as a result.

Sales of lawn fertilizer, walk-behind mowers and riding mowers/lawn tractors were reported to be about the same. The percentage of retailers indicating sales were up was slightly lower in other product lines.

•**Garden tools:** 61 percent carry the line; 18 percent said sales were up, 30 percent said same and 13 percent said down;

•**Lawn fertilizer:** 46 percent carry the

There's big money in small lawns.

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line; 13 percent said sales were up, 21 percent said same and 12 percent said down;

•**Grass seed:** 43 percent carry the line; 17 percent said sales were up, 17 percent said same and 9 percent said down;

•**Packet seed:** 40 percent carry the line; 13 percent said sales were up, 18 percent said same and 9 percent said down;

•**Walk-behind mowers:** 72 percent carry the line; 22 percent said sales were up, 26 percent said same and 23 percent said down;

•**Riding mowers/lawn tractors:** 72 percent carry the line; 22 percent said sales were up, 26 percent said same and 23 percent said down;

•**Rotary tillers:** 61 percent carry the line; 12 percent said sales were up, 25 percent said same and 25 percent said down;

•**Replacement parts:** 70 percent carry the line; 27 percent said sales were up, 33 percent said same and 10 percent said down.

Most product lines in the West closely paralleled the sales trends reported nationally by respondents.

The West was the only region, however, in which more retailers reported sales of rotary tillers were up than reported them down.

Significantly more retailers in the West also indicated higher sales of replacement parts than did retailers nationwide.

•**Garden tools:** 77 percent carry the line; 19 percent said sales were up, 46 percent said same and 12 percent said down;

•**Lawn fertilizer:** 54 percent carry the line; 23 percent said sales were up, 23 percent said same and 8 percent said down;

•**Grass seed:** 54 percent carry the line; 19 percent said sales were up, 35 percent said same and an insignificant percentage said down;

•**Packet seed:** 46 percent carry the line; 12 percent said sales were up, 27 percent said same and 8 percent said down;

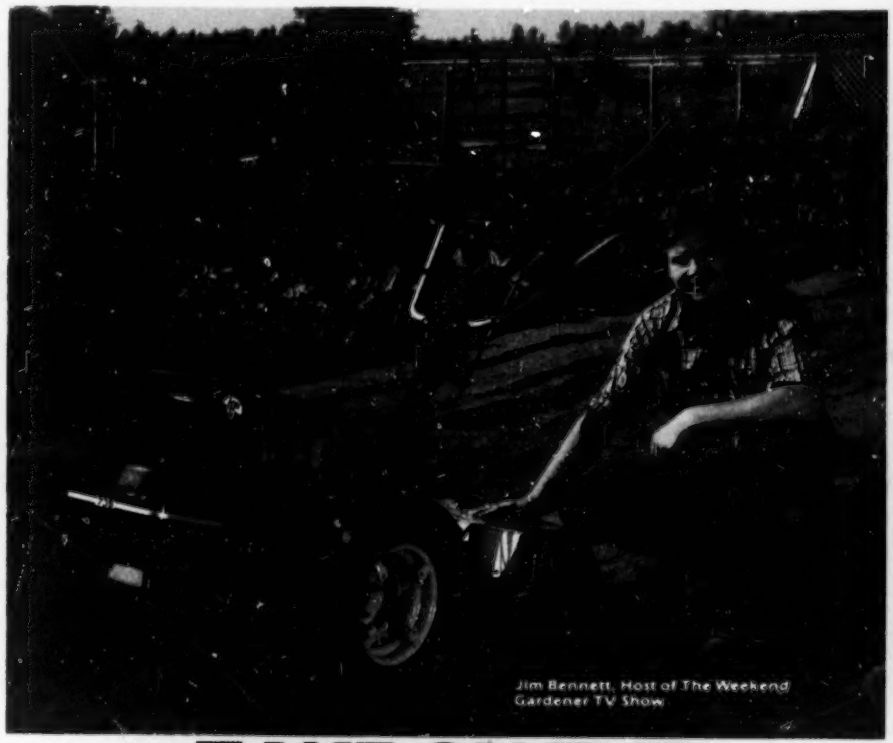
•**Walk-behind mowers:** 81 percent carry the line; 42 percent said sales were up, 19 percent said same and 19 percent said down;

•**Riding mowers/lawn tractors:** 62 percent carry the line; 27 percent said sales were up, 27 percent said same and 8 percent said down;

•**Rotary tillers:** 65 percent carry the line; 15 percent said sales were up; 39 percent said same and 12 percent said down;

•**Replacement parts:** 73 percent carry the line; 50 percent said sales were up, 23 percent said same and an insignificant percentage said down.

The spring 1986 survey results were based on 250 responses from three categories of retailers: garden centers, hardware/home centers and power equipment dealers. Respondents were asked to compare sales of product categories in spring 1986 to spring 1985. As a result of rounding, percent of change does not always total the percent carrying the line.


Jim Bennett, Host of The Weekend Gardener TV Show

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